San Francisco Bay Conservation and Development Commission
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TO: All Financing the Future Working Group Members

FROM: Lawrence J. Goldzband, Executive Director (415/352-3653; larry.goldzband@bcdc.ca.gov)
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SUBJECT: Draft Meeting Summary of June 7, 2018 Financing the Future Working Group Meeting

1. **Call to Order.** The meeting was called to order by Chair Wasserman at the Bay Area Metro Center, 375 Beale Street, Ohlone Room, First Floor, San Francisco, California, at 10:41 a.m.

2. **Roll Call.** Chair Wasserman had attendees introduce themselves.

Present were Group Members: Chair Zack Wasserman, Commissioner Claire Jahns, Commissioner Alex Zwissler, Roger Davis, Mark Northcross, Michael Paparian, Paul Rosenstiel and Chad Spitler.

Not present were Group Members: Commissioner Jennifer Lucchesi, Commissioner Aaron Peskin, Commissioner Kathrin Sears, ECRB Member Robert "Bob" Battalio, James "Jim" Cervantes and Justin Cooper.

3. **Approval of the February 1, 2018 Meeting Summary.** The February 1, 2018 Meeting Summary was approved.

4. **Review, consider and approve a framework for the July Financing the Future Workshop.** Ms. Amanda Brown-Stevens addressed the Working Group: I am the Managing Director of Resilient by Design. One of the interesting things about this project is it was not a city, county or public agency hiring these design teams to solve a particular problem but having design teams driving a process of identifying flood risks, bringing people together and identifying big ideas that could address these challenges.

The teams have had four months to come up with what you have seen. It is helpful to think about these issues in a regional manner. These drawings are depicting stages that are very early on in the planning process.

We have brought people together and we have come up with some big ideas and we are trying to take the next step. The teams have started to think about where our potential funding sources exist and really at the transition point where these have been driven by the design teams.

One of the exciting things about this workshop planned for next month is our goal here is to transition the who is driving this process because we know that in the end these design firms are not going to be the ones who are applying for public grants. A collaboration of public agencies is going to have to go and be the ones that are really driving this process.

Our goal for this workshop is to help set those agencies, cities, counties for starting to take ownership of this and think through what pieces do make sense for a first step and how to get to where they access further funding.

If you look at what the design teams put together there has been a big focus on how to get to a place where you can apply for public money, for Measure AA funding, for potentially some planning grants from the state, SB 1, Cap and Trade; with Prop 68 also passing there is also the Coastal Conservancy will have other types of funding.

One of the things that we want to do at this workshop is have people there who can help these communities figure out what they need to do to be able to apply for those planning grants.

The big question here with this idea that there are pots of grant funds the way a lot of these start is big public infrastructure that is mostly publicly-funded and what I would love to have a conversation about is both, where are the right places and who can be there?

We had some really successful events throughout the Resilient by Design process where we had different public agencies in a speed-dating style where people at different tables rotated in a way where people could get one-on-one conversations in a valuable way. We have a good sense of who some of the public agencies can be.

I don't think there is any project that clearly lays out something that has a rate of return in a way that you could start to think about this financing side of it.

Again, a lot of these are big, public projects that are going to need big, public money. Where does financing fit in in all of this? It is interesting that we do have all of these big-tech companies and they have all of this money.

Facebook is going to take care of Facebook. They are not going to be relying on public funds. Google created one of the largest, transportation agencies in the region. They are figuring out their own sea level rise issues. We definitely have them at the table.

I don't think anyone has cracked the code for how we make the case for this big, private-tech, finance piece of it. If you could figure that out it would be great. (Laughter)

Executive Director Goldzband commented: And what we wanted to do based upon the success of RBD in getting people to think about projects conceptually is to figure out whether we can use this platform to graduate RBD. They have had their Bar Mitzvah and now you have to get them into confirmation class. How does that work because not everybody goes to confirmation after Bar Mitzvah.

You have to figure out how you get those RBD projects advancing in a way that allows people to think not only about them conceptually but about them from a hard standpoint about how we can move them forward.

Two or three things have to happen. They have to have an owner. They have to have some kind of rate of return even if it is publicly financed. There has to be a rate of return. You have to figure out a way to get through what Mark has called the gauntlet of the pre-development costs.

What we want to do is give RBD our platform in July to set up that discussion for each of them.

Chair Wasserman added: The one additional comment I would make is that there are numerous tracks there. Two of the most important are ownership. Ownership is both an overall ownership as well as an individual project ownership.

And then second is the financing piece that this group is concentrating on. I don't think we expect you to solve either of them. We want to focus a whole lot on the ownership that will have to be done.

But the discussion about the financing becomes very important in figuring out who should own it and motivating a set of organizations to say, yes, there is enough here; it is real enough that we want to take ownership and take the responsibility of moving it forward.

Executive Director Goldzband commented: We can have the speed-dating thing and we can have all the projects there and we can have a bunch of different possible, public funders of various parts of projects.

That is a focused way of doing it. But we are also looking in the first part of the workshop to do something a little grander and to have people think a little bit more about what this means writ large which is one reason we wanted Lauryn here today to expand peoples' thoughts about what impact investing is. It is why we have Nuin-Tara on this because does the Federal Reserve have a role to play in talking about these kinds of things?

That is what we are trying to look for. I don't think anybody is here looking to impress Paul Rosenstiel so he can go talk to somebody and have people do an investment deal. It is, how can we use your thoughts and your wisdom about that grand piece as well as the best G-R-A-N-D, grand piece before as well as the who-should-be-there piece.

Ms. Nuin Tara-Key commented: One idea to throw out is that in line with the presentation that you gave. There was an effort earlier this year in Sonoma County where they were looking at the Community Development Commission in partnership with the Federal Reserve and other partners were looking at trying to establish a JPA that would do something very similar to this and would really help with post-disaster development in trying to better match up or deal with the misalignment of project pipeline and funding.

I don't think the idea of a JPA is going to move forward. It would be interesting to think about what are some different types of models especially working across jurisdictions and collaboratively and thinking about some of the governance questions because this absolutely informs and influences the type of funding that is available through that.

Chair Wasserman had questions: Are there some of them that have slide or video scare stories?

Ms. Brown-Stevens replied: I think one of the things that the teams have done is a nice job in showing what the flood risk is. San Rafael is one of the places most at risk at the team there created some very nice animation to depict this. There are some useful visuals that can be created.

Here in the Bay Area we don't think of sea level rise as something coming soon or flood risks as something that is anything more than episodic at this point. People are not really thinking of this as an urgent issue. If you present them with things like here are the risks, here are the people that need to be relocated et cetera; people will just shut down.

It is an interesting dance to talk about, here is the risk, here are some ideas without literally having people stick their head back in the sand. We don't have a fixed use to bring people along. We have had this kind of gentle, soft approach to try to get people to start thinking about these issues. But there really are some powerful visuals that can be created.

Chair Wasserman agreed: I absolutely agree. You can't just focus on that because people will shut down and leave the room quickly. At the same time that is part of the story that is very important to at least do some illustrations depicting these conditions.

My other question on the other side of that is, are there projects that come closer to suggesting sources of rate of return? Are there any of them that got into that?

Ms. Brown-Stevens replied: I think with the Highway 37 Project you can start to think about how that works in various and different ways. There is a variety of transportation projects that do this. Wastewater treatment is the one that is the biggest, infrastructure piece of things. I don't think they got into the level of detail around building but the idea of creating more space along the shoreline where land tends to be used relatively inefficiently. Creating a different use of that land that is more water-based and creating through zoning or other incentives, opportunities for more density, kind of the next step back is a way that you could create some value and that the measures would increase protection in those areas.

There are some places where there is a flood insurance play you could make like what Foster City is doing where they are saying, we are going to do this and then you won't have to pay flood insurance and that is of particular value. That is another piece as well.

Then there is the floating house idea which seems crazy but it is actually taking land and potentially creating more development opportunities in places where there is not now because you are putting it in a pond.

Ms. Agnew commented: The ownership thing, if we could somehow get a mindset going that we all own this problem, we all in the Bay Area; and I don't think that having Apple fix their own parking lot is only going to transfer the problem downstream to someone else and that is why we need to have a collaborative solution that we all pay for either through our taxes or through our investments or a combination of these.

Each city right now is more incentivized and each county is incentivized to work alone. So could we change some of the incentives so that we have a reason like BCDC was able to come together over a bigger S.F. Bay parcel tax thing?

Commissioner Jahns commented: It might be helpful for the July meeting to try to pick apart a specific project that does identify assets that could then be talked about directly.

If you were to look at a single project and say, how do we make this an investible opportunity; that might be one way to sort of prime the discussion? And then over time we want to get together philanthropic funding or something so that each project can go through that process and you would want to bring in real estate developers and investors to help with that process.

Commissioner Zwissler was recognized: The point I wanted to make is the video for Highway 37 is inspirational. There are aspirational and inspirational videos that can be created. It really is a great project.

Mr. Fred Silva of California Forward commented: Almost all of our financing authorities are imbedded in individual entities whether it is a city's powers or it's a county's powers or some special district; part of what we are doing here is to think about a larger financing perspective not just a place-based financing which we do with Highway 37.

Along the shore of San Mateo County you don't have that. It is the region's interest. One of the things that California Forward and the Economic Summit have been trying to deal with is how you get the entire growth of the Bay Area economy to take a piece of that growth and invest it?

If it is the property tax that is kind organizationally-based because it is levied in each county. It is not levied region-wide. The sales tax has its own guidelines.

The question is, how do you break through that? There are a couple of ways to think about this. I'm not suggesting putting an agenda item here for the July meeting but at least how can we capture some amount of that growth?

Our base property tax in the Bay Area has been growing at about seven percent per year; statewide it has been growing at five. We have been a very resilient place relative to the property tax.

That is partly because of the amount of investment that goes into the role; not just change of ownership but investment which is a big number in the South Bay.

So how can we capture a piece of that to meet Mark's need and the underlying need about pre-development costs? How can we get a piece of that growth and get it into the base work that needs to be done so that the financing that Lauryn is talking about has a pretty clear path?

You can capture a piece of that growth by county for the region. There is a way statutorily to do that.

The second is the old saw of the sales tax and how the sales tax growth works. And because the state controls the rates there are some particular constitutional provisions that limit the state's power but all of that stuff ought to be put together in a basket that says, some amount of that growth should be captured to do that level of work that is needed to make these financing sources operate.

We know of the City of Richmond that can effectively use one of these enhanced, infrastructure, financing districts. They are one of about a dozen cities that have a large share of the property tax. I think they get about 26 percent of it. So they don't give a hoot about what the county is doing because they have a great deal of it. But you go to another city along the shores of San Mateo County and most of them get under 10 percent. They don't have any increment. There isn't anything there even though their role grows very rapidly for reasons that we know. But the city itself doesn't get much out of it.

So how can we get more of that growth invested into these kinds of activities knowing that one of them in the North Bay with Highway 37 has its own answer; but the rest of the Bay doesn't?

Thinking ahead a little bit about how to capture growth and how to deal with the pre-development issue is an important one but a feasible one.

The other about providing a piece of that growth for that investment is a larger and more difficult problem.

Working Group Member Rosenstiel commented: It has to be a very general revenue source recognizing that the impacts are really generalized.

The discussion of Apple or Google; what happens is if there were a common solution they might participate but the reality is they have had to create their own solution because they can't wait around.

We have done that at CalSTRS. CalSTRS owns a really nice building and it is right on the Sacramento River. We have a very detailed plan of what to do when the river floods. We know how we are going to be able to keep our operations going.

So we are not really that motivated to address the problem because we done it ourselves because we had to do it ourselves. It is going to come from a more generalized recognition that the whole community is going to have to address the problem.

Working Group Member Roger Davis commented: Therein lies the problem. You have to get political coordination by all the stakeholders all around the Bay Area. This is extremely daunting. Everybody is feeding at the property tax trough and they can be really sensitive about when you come in and try to take however small a piece of it away from them.

On a larger sense if you can have projects that generate market rates of return that is not going to be a problem. The only thing you can do is point attention to it and there will be a lot of people who will be able to earn income out of making that occur.

It is getting those ones that are just below that into a market rate return or ones pertaining to the pre-development costs are never going to have a market rate of return. You have to find some kinds of investors who will take the chance on a possibility if it all turns out well maybe they will get paid up.

There are a variety of different tools but they are too small for what we are talking about here. You really do need the solution you are describing. To get to that solution you have to get a political coordination as daunting as the problem is.

Mr. Fred Silva commented: We had one experiment where the Bay Area came together with the parcel tax for the Bay Restoration Authority. It was a sleeper. In Napa they had a sense that this was important even though they aren't there because they are up valley. You have to get that kind of political commitment and I am not suggesting to levy a tax about it but you have to have at least some consensus at the regional scale about being able to have an entity that has lots of obligations to say, we are willing to put a piece of the growth of our economy into this investment. And that is a tough nut to crack.

Working Group Member Roger Davis commented: The communication of the videos is what is going to have to draw that kind of political coordination.

Chair Wasserman added: There was one model of before AA of regional cooperation. It was county-by-county but it was the vehicle of registration tax that only applied to the county. It was not put into a regional pot. The campaign was a regional campaign. Some of the efforts coming out of it are regional.

Ms. Brown-Stevens was recognized: One of the interesting things about this project is that it does have these specific, local ideas. There are a lot of conversations about regional collaboration that are really important. Creating local champions for these projects is important so we can have some local, on-the-ground impact and win. That helps drive the potential of these larger conversations around regional collaboration and regional funding measures and all these pieces.

This piece of it is how we keep it connected to this regional conversation but this is our moment to say, okay, we did this big design challenge and we said it is more than a challenge and it is not just about pretty pictures. It is about making on-the-ground impacts.

One of the values of an initial workshop about this really would be targeted to help get those potential, public agencies that are going to need a key part of this at a local level excited and feeling like that there are actually people who care about helping us get access to some of this funding to move these forward.

Making sure that we are keeping this in a context of, here is the bigger picture but getting to how can we help you, local jurisdiction, start to take steps to address your particular issues?

How do we help and encourage these communities to take these ideas and continue to drive this forward? I do think this is a really, nice opportunity that BCDC has of convening these and still thinking about, how do we pitch that this is something that will be really helpful and get people excited about continuing to take these ideas and move them forward.

Ms. Jessica Davenport of the State Coastal Conservancy commented: Our staff has been engaged in a lot of the different local efforts. We really do want to figure out how to help take them to the next level.

One thing I would like to say is that we would be happy at this workshop on the 19th to help you in the matching discussions with potential partners.

Also, we are going to be working with the RBD staff to refine the project elements. So there are nine projects but they are more like visions for watersheds in a lot of cases or a region. Looking at those elements that could become a fundable project and would be eligible for Measure AA and other funding like Prop 68 or we have other pots of money at the Conservancy is a critical component of this process.

We do think that it is important to have that local champion for us to be able to have that person to talk to about how to turn it into a real project.

I think the design teams did a wonderful job of stimulating the conversation and bringing people together that wouldn't normally be at the table but they can't take it to the next step. We already have some local folks who have been contacting us inquiring about resources. There are some actual elements that are close to being able to start applying some of these monies.

Commissioner Zwissler asked: Do you know who you are after? Did the project identify who those local champions are likely to be?

Ms. Davenport replied: We have a list of stakeholders for each project. All of them are saying they would like to do this and we have a lot of other things going on. Now that we are done with this challenge we don't have to be concerned about shepherding all nine in the same way. This is an opportunity to see who is most excited.

Working Group Member Paparian commented: I think of local champions on two levels. One level is the local agency that is going to take sponsorship or ownership of the project. There is another level that becomes a kind of political overlay. For a lot of the large, exciting projects that have happened it is really taken a political leader to adopt it.

If you had local, political leaders on several of these RBD projects you could get them to provide the introduction to Apple and Google and get them to the table because Apple and Google want something from them.

As we think about this that political overlay may become an important component. I am not sure who you would set this into the workshop. The most successful projects will be those that have a champion.

Executive Director Goldzband added: Our hope is that BCDC Commissioners who represent the various counties will be at the workshop and will be floating around and listening to how the speed-dating works with the projects in their jurisdictions so they can become more familiar and get more excited about it.

That is part of the whole workshop scenario is to have Commissioners there who can learn and help move stuff.

Ms. Brown-Stevens added: And the Restoration Authority Board members who are locally, elected officials are some of the ones that have been most involved. There are people who are interested in taking that role especially at the city and county leadership level. We have had less contact so far at the state and federal level.

Working Group Member Paparian stated: The key is to finding a leader who will adopt it as one of the three or four big things that they want to work on over several years.

Working Group Member Northcross commented: The way I see the process is that I call the local champions the asset defenders whether it's the wastewater treatment plant, Highway 37, 880 or 101; it's a public entity that has a major asset that has to be defended from rising sea levels. We want them in the room. We want the grant makers in the room to the extent that we can.

Finally, we want the design team, the visionaries, these are visions. Some of them actually do have practical projects that can be done fairly soon. The visionaries, the grant makers and the asset defenders in the room need to get together in the room and hopefully something good will come out of it.

Chair Wasserman added: We really want to make an effort to get representatives from the flood control districts there at the workshop.

Executive Director Goldzband stated: That is huge. Are there any members of this working group who don't want this to happen or who think this is a bad idea? (No one commented) I have to do my staff thing just to make sure.

I am going to suggest one more thing that happens before this. Mark and I independent of each other both came up with essentially a matrix which I want to marry with what Lauryn has done because I think the matrix that you and I came up with which talked about asset classes and owners and the various types of funding that could be applied there fits in what Lauryn is trying to do but we need to put it into a temporal way. That might provide us with a way for us to take a look at a manner for Fred to look at this and say, staff temporarily or this is how you can do something like this on a regional level.

Ultimately what we are trying to do here is get to a point where we are going to propose something on a regional level. We need to get that information from a temporal basis so we know when things can happen.

Chair Wasserman commented: That makes a lot of sense. There is an asset-protector category which may or may not be in your matrix which consists of large employers whose employees are dependent on transportation which will be disrupted by flooding.

Working Group Member Rosenstiel commented: I think talking about the problem in that way makes sense. It is important for us to focus on, how do we make these investments that people will want to invest in rather than talk about the sources of capital. The capital is going to be there. We don't need to spend our time talking about that.

The question is how do we generate that revenue source? That revenue source can be all sorts of things. We contribute the most to this discussion by trying to identify revenue sources and how to create them when they aren't naturally there.

Executive Director Goldzband continued: By breaking down the projects into their individual components would help to do that.

5. **Seal Cove Financial and the Bay Area Impact Investing Initiative presentation.** Ms. Laura Agnew presented the following:

I have been a fiduciary in the Bay Area for most of my career in institutional investment management. I have served on the San Mateo County Employees Retirement Board.

Having that experience and having oversight on over four billion dollars I began to think about some of the big problems in the Bay Area. I recognize that there is a ton of money in the Bay Area but we have no way to channel that money to solutions.

I have spent the last several years trying to figure out, what would that have to look like to make us want to use our pension assets, our family foundations, our corporate assets, our public resources; all of this mixed together, we might be able to come up with enough money to address things that I was hearing about like sea level rise, density issues, transportation issues, long-term prosperity and social justice.

The Bay Area Impacting Initiative was launched about seven years ago when I was initially looking at the stock and bond portfolio for the United Way of the Bay Area trying to see if we could align the investments to its mission of reducing poverty.

We expanded that for a broader purpose so we would not just look at poverty. We would look at all of the ways that we could invest to make the Bay Area more sustainable, more resilient and more prosperous.

To get in touch with all that money we have to play by the rules that this money follows; the fiduciary standards. And they are financials first people. Most of the traditional, institutional, investment money is financials first. Somewhere in the intersection we can do both.

One of the issues is that each at that class has a different capability of providing impact. Bonds are our first and foremost place-based impact, investment tool.

There are many different kinds of bonds. We could be investing in Bay Area bonds in a much bigger way and be proactive about what bonds we want. In the stock world we talk about engagement there. We know we can build sustainable real estate across the sectors in commercial and industrial and housing. We can work with community savings and work with the CDFIs, low-risk, low-return but very high impact on small business development and infrastructure. Infrastructure is big, long-term, expensive needs.

Putting together a good portfolio would require understanding that not every impact creates jobs. Not every impact has a positive. They are all going to be mixed up because they are going to be multi-disciplinary.

Even if we say we only want one or two percent of your portfolio to be invested in the Bay Area nobody is going to do that. It is really hard to find all the diversified potential investment to make a one percent position worthwhile. You don't have the staff to do that.

We come up with the idea of a collaborative center, virtual and physical that does that due diligence; manages the portfolios, tracks the impacts and watches the performance and returns to shareholders, investors and the community.

In our stock world we would own stocks that we would want to engage with. If we are talking about BCDC projects around the Bay Area we would be looking at certain companies that would be impacted by each of these nine projects.

We have to have collaboration by all types of companies going forward in order to get all the money on the table.

I was participating with the Urban Sustainability Director's Network to produce a big report about how we finance sustainable cities. We came up with a lot of examples.

Each of the projects is going to be unique but the needs are going to be common. They are still going to need fixed-income money and equity partnerships and private-equity money. We want to build out portfolios that would address the housing, infrastructure, transit, public spaces, sea level rise mitigation and we can use the green bonds.

We can use the industrial-revenue bonds if there are going to be a returns coming off of any of these projects. That can be collateralized or we go into the tax-increment financing. There are a lot of different ways to invest in property and have the tax base be more worthwhile and pays back the bonds in the future. These are mixes of ideas.

We have to count on the private sector to come up with some of the solutions that we can tax and incorporate into wetlands and new community development as well as employing people. Silicon Valley is great at that and they should be at the table with their money and expertise.

Getting into public/private partnerships means that we've got to get all kinds of money at the table. The market-rate return money and the below, market-rate, return money and the public subsidies and the grants and the philanthropists and the mission-related investments that can make only one or two percent and the program-related investments that only want return of capital back are all to be included.

By having a quarterback that understands getting the partners together at the table and mixing together the various kinds of money we might be able to put together the stages of financing needed to address these long-term issues in the Bay.

We can do some financing and we have the authorities to create these sorts of things with the kind of collaboration and bringing in public resources; philanthropic resources, equity risks as grants and paper-success notes, restructuring contracts to build these sorts of things.

So the idea of having a hub and spoke that the money and the financial expertise sits at the center and reaches out to each of the projects so that there is a quarterback understanding who the partners need to be up in Richmond and who the partners need to be in the Silicon Valley Sponge Project and get them and the philanthropists there.

Regionally we all have these issues to work with. There could be some bigger, common investment especially when talking about things such as bridges and more BART tunnels and trains and things like that.

There are different tax benefits and investment benefits available to opportunity zones.

The cost of doing the due diligence and tracking all of this expertise could be centralized and minimized so that each particular project doesn't have to re-create that high level of expertise but can manage at that local, project level.

The idea with public/private partnerships and a quarterback and using that complex, capital stack; we can put it together and we can create a system where money can come in and know what its use is going to be and people might feel a little bit more comfortable about investing in their own back yard.

Right now Wall Street does not give us ways to do that. Wall Street has pretty much taught us all that we have to invest globally to reduce our risks. The Bay Area can do a lot of diversification. We can do a lot of positive impacts if we were to collaborate and decide on some common goals that we all agree with.

Below, market-rate investments are what foundations and like-type organizations can do. We can use all kinds of money. Impact investing started with the idea that social enterprises needed private equity or they need small-business loans from CDFIs.

It can be investing for poor around the world or it can be investing by theme. I think we should be mixing these things up together. You can't have housing without jobs and transit. And you can't have a healthy, Bay Area if everything is underwater.

If we look at the different sources of money currently available we have tons of money in the Bay Area that can be invested locally.

Commissioner Zwissler had questions: Is your idea to take and find a specific project and apply all of this to that project? Or is it to create a big pool of funding that can then put a little bit of money into different projects?

Ms. Agnew replied: Initially it was to create that big pool in the middle that could then be invested in all kinds of things. But that doesn't exist yet.

If you want to apply this model of having a centralized, efficient core of talent you could still take this model and address it to your nine projects. Each one becomes its own little mini-organization that can tap into the expertise at the hub.

We all have to get enough people in the room to sit down and begin to decide how to go forward and where is the money going to come from.

When we get into some of these big planning and strategic processes people say let's get private capital involved. And then they sit there and say, okay, where do I write the check? If I am a pension fund, where do I write the check? There is no place to write that check.

Working Group Member Rosenstiel inquired: I am a trustee on the CalSTRS Board. Are you trying to address the problem of figuring out how investors can find good, impactful investments to put their money in? Or are you trying to solve the problem of projects that need capital figuring out how to get capital to them?

Which side are you trying to solve?

Ms. Agnew explained: It's actually both because I see it that the investors have a need. I would like to think that place-based investors should be doing this.

It takes intention and tracking the impact to be a place-based investment. Every investment always has an impact we have just never tracked it before.

On the other side of the coin are all these projects that we know need to be done. We don't know exactly what they look like but we know we have to do something.

But we don't know how we are going to pay for this either. So there has to be some intersection and that's what that place is, that center. That is going to a virtual place as well as a physical, money-management place.

We need a mix of meeting the investors' needs and the finance project's needs.

Working Group Member Rosenstiel continued: I'm not sure that explaining it that way would make sense to an investor like CalSTRS. I see the attraction of financing improvements to infrastructure that we have some way to pay for. Capital is almost never the issue. We have all this money that people want to put to work.

Capital is usually not an issue unless you are talking about a 50 billion dollar project for which there is no revenue source. Capital does not show up unless it gets repaid.

We at CalSTRS would like to do investments that we think are good investments but we keep coming back to the only way we can address it is if ESG considerations are actually a way to improve the long-term return that we are getting otherwise we really don't.

We engage with companies. We engage with companies to make sure that our returns are better than they otherwise would be if we didn't engage with them.

Chair Wasserman commented: I think this model is very helpful. I don't think it solves that.

Commissioner Jahns was recognized: It seems like creating investment opportunities is going to be the bigger lift because the capital and the guarantees aren't there. What these projects all propose to do is deliver public benefits. You need smart project developers to do this.

These projects are going to require coordination over multiple-parcel owners and jurisdictions. The concept of a special, investment district or something that would merge the potential upside to these investments is interesting.

These are going to be very difficult projects to develop into investment opportunities for the private sector. It is necessary to do this.

Ms. Agnew replied: In my experience when you get a big bucket of money sitting out there and it is labelled, "Investments for the Bay Area" people will come with plenty of ideas of how to spend that money. You have nine great projects.

Chair Wasserman added: We have great projects but the real challenge is the repayment piece for those parts of the stack that need repayment.

Working Group Member Michael Paparian commented: If a project already meets the fiduciary standards it is going to find investors. The big issue is how do you take the project that is just below that and raise it and provide them the input they need to make it an investible project.

Investing locally is sort of icing on the cake in a sense. It is a good thing to do but fundamentally having a lot of money locally investing locally doesn't necessarily raise those that aren't quite at that fiduciary standard level.

To what extend are you trying to help those entities raise their credit worthiness to the point to where they are an investible asset?

Ms. Agnew replied: I would see something like our Home Project in Richmond as a multi-disciplinary project that would require some public resources and then you borrow some against it through an EIFD. You also have some free money and some grant money and some low-interest, rate money and some senior money that is going to require a market rate of return.

To me you put all those pieces together and the overall project might only cost two percent. But somebody is going to get six and someone is going to get zero and that is the coordination.

That is how some of the programs that don't have a revenue stream attached to them that still need to get done; they would sort of get the grant or the public money whereas the revenue stream gets the bond money that pays back.

Working Group Member Mark Northcross commented: I have a recommendation for you to consider. The high-risk money is what we call, "pre-development costs". You look at the whole thing with rising Bay levels; once you get to the point where you can go out to bid you put something on the bond measure on the ballot and you don't even need green bonds. Taxes and finance will get it done.

The question is, you don't put anything on the ballot that you don't think is ever going to come out of the ground. The biggest disaster politically is to go vote the tax people and tax them and never have anything happen with the tax money. That is end of career and all kinds of bad things happen.

What typically happens is these pre-development costs before you can put it on the ballot are the high-risk money. That is funded by grants or cash, out-of-pocket of general funds and what have you.

When you look at RBD, you look at rising Bay levels and you look at the scale and you assume pre-development is at least five percent of the 50 billion dollar figure discussed; the scale of pre-development costs is daunting and it is overwhelming.

Grant money is going to have to fill that on the conventional model. The recommendation for you to consider is there a way we could set up a pre-development, high-risk, investment pool to work along with grants? This would be to fund these pre-development costs which are staggering.

I go to SOCAP every year over at Fort Mason and I look at the role of impact investing as high-risk money that can come in and do things that the public sector really is not equipped to do unless you find somebody willing to do high-risk grants.

That is the consideration. There are legal issues with that too. You want to get paid back even if you're making a high-risk investment for pre-development costs you want some viable way of getting paid back even though it hasn't gone on the ballot yet.

Ms. Agnew stated: I think Google and Apple and Facebook all have pretty big foundations. And they are all going to be underwater. I would get them to the table and say, out of our 50 billion to fix this major problem that everyone has, you are going to be personally touched by X amount and we need your participation upfront to get it started.

Executive Director Goldzband commented: Let me translate Mark into the way I think about this. I look at the capital stack and I look at it just like I look at the total water level. There are different problems that will face the Bay Area based on the day you are talking.

Whether it be rising sea level, King tides, storm surge – you name it – and it all adds up to a big mess along the shoreline.

Here you are talking about a capital stack which is defined by the return on the investment. What Mark has suggested is a capital stack which is actually two-dimensional and not one-dimensional.

The first dimension is the capital stack by who gets what back? But that then needs to be integrated into a temporal stack which is, who comes in first for what purpose?

And then we figure out what the intersection is among the temporal side and the return side.

Working Group Member Northcross stated: The high-risk money is the first money in.

Ms. Agnew added: I think that is what the collaborators would recognize. You have to lay out the problem and lay out the stages that the problem needs to be addressed in. But today this is what we need to get started. Tomorrow we are going to be able to do this and this and this until we get to our long-term goal.

Commissioner Zwissler commented: Throughout the course of our meetings together we have been talking about different projects and different financing mechanisms. How do we pull all of that together?

Lauryn's concept is the first that I have seen that starts to hypothesize, how do you finance a broad set of projects from a broad set of investors?

It sets the stage for us in terms of what are we going to recommend that we do to start to think about how we tie all of the things that we have learned throughout the course of our meetings into some sort of concept?

Chair Wasserman commented: RBD is aimed at our thinking about and making suggestions for the July workshop that is taking this to the next level using the RBD projects as the framework.

I can recommend that you go to today's Washington Post because there are pictures of the flooding in Washington, D.C. which is, hopefully, scaring the pants off of some of our elected officials.

If you couple that with the NOAA report that just came out that this is only the beginning it is frightening. One of the themes we need to learn from that is that we need to figure out the language that effectively couples rising sea level with flooding.

Part of the link to this next part of our session and getting people to think about how to integrate these issues is both existing and future investments that have rates of return are going to be desperately threatened by this flooding.

And it is figuring out how to make the leap, almost the Gestalt leap, to say investing in protection of the environment – because FEMA ain't going to cut it – is what we really need to educate all of ourselves to do.

I think the nine RBD projects are a very, very important beginning. We always need to keep in mind that they are only the beginning. They are only examples, exemplars of what we need to do throughout the Bay Area.

6. **Discussion of Possible Topics for Future BCDC/public Workshops.** Chair Wasserman asked: One of the topics on the agenda is thoughts about future workshops. Some of that will come out of the first workshop but are there things that people have been thinking about or that we have talked about that resonate with people and ought to be a significant focus for Financing the Future workshops?

This group is near to its end of life cycle. I am not sure we are there yet because it may be useful to pull us back together to push on this last question as we go forward. What has happened with all of the other waves is the working groups have developed enough so that staff can take it to the Commission workshops. There will not be a whole lot of activity after that.

This one is a little bit more complex and a little more outside of the area of staff's expertise. There will be some useful life yet.

Executive Director Goldzband expanded on this theme: The useful life is taking a look and figuring out what structural changes we need as a group to think about and recommend whether it be on the financing side, whether it be on the governance side – whatever – that is where we sort of head for from here.

Commissioner Zwissler commented: If what you just said for a suggestion for a future workshop is to look at some of the governance issues might be really interesting.

Executive Goldzband continued: What you do is you raise that at the first workshop.

Mr. Fred Silva gave a cautionary note: I have one cautionary note. This talk about capturing growth in the economy for particular purposes is going on in this very building relative to housing. You have multiple investment issues with housing being a major one as well as this with folks looking at the same basket of finance solutions.

Chair Wasserman added: There is no question that we have some competitors but there are some other, major, infrastructure needs; housing, transportation and in some communities we are touching on communications. All of those are capital intensive.

Ours is the least pressing.

Commissioner Jahns stated: We can think of those as co-investors. We don't want housing investment that works against adaptation.

Chair Wasserman continued: And the same thing in particular for transportation includes the private transportation systems that are being developed.

Working Group Member Mark Northcross commented: I would like to support the governance thing. As an observation from being around all the RBD design teams which were in some cases international and talking to the international people one of the things that they were all consistent on was, my God, how bifurcated the Bay Area is. And how can you guys possibly do something? Don't you have a centralized government? (Laughter)

That issue was consistently brought up by people outside of the Bay Area as being core to our being able to deal with rising sea levels.

Chair Wasserman continued: All right. I thank you very much. We do not have another meeting scheduled. We will schedule one.

Executive Director Goldzband added: We will schedule one for post-workshop. There will be questions that emanate from the workshop that we as staff will prepare or get to you all so that we can then discuss the next workshop.

7. **Adjournment.** There being no further business, Chair Wasserman adjourned the meeting at 12:01 p.m.